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DIRECTORATE OF  
INTELLIGENCE

## Intelligence Report

### *The Economic Situation in South Vietnam* (Biweekly)

State Dept. review completed

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~~SECRET~~CENTRAL INTELLIGENCE AGENCY  
Directorate of IntelligenceThe Economic Situation in South VietnamSummary

Vietnamese employees of US military and civilian agencies and their contractors will receive a wage increase this month, placing additional pressure on the GVN to raise salaries for the military and civil service. All government and US sector employees as well as many in the private sector have suffered substantial reductions in real income during the past five years. Although it is extremely difficult to make comparisons, it is probable that during the last two years the real incomes of government employees have deteriorated faster than those of persons working in either the US or private sectors.

Despite this year's much larger rice crop, delta deliveries to Saigon during the first quarter of 1970 not only were below expectations but also smaller than deliveries during the same period of 1969.

The Viet Cong, who have always taxed the cutting and movement of forest products by others, reportedly are planning to engage in the cutting and sale of these products themselves in order to increase revenues.

Data on retail prices in Saigon are not yet available for April. Black market dollar and gold prices inched upward to new highs during the two weeks ending 14 April.

ANNEX: Monthly and weekly currency and  
gold prices (Graph)

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Wage Increases

1. Wages of Vietnamese employees of US military and civilian agencies and their contractors will be raised an average of 11 percent this month in the third and final step of a series of pay increases recommended by a 1968 wage survey. Increases averaging 16 and 14 percent were granted in January and May 1969. The third increase apparently was not to be announced until sometime later this year, but was speeded up as a result of a week-long strike in late March by 7,000 employees of one of the largest US contractors in South Vietnam. US officials feared recurring and more widespread strikes if a wage increase were not granted at this time. Many employees' incomes have been reduced because of cutbacks in overtime. Moreover, workers in the US sector reportedly are well aware of the temporary nature of their jobs and want to maximize their incomes while the employment still is available. During the last half of 1969 US employment of Vietnamese declined ten percent from a peak of 160,000, and reductions in force are continuing as US forces withdraw and construction projects are completed. To date, most of those who have been laid off apparently have had little trouble finding other work. The fact that many Vietnamese working in the US sector are second and third wage earners from the same family also has tended to soften the blow. There reportedly have been unemployment problems, however, in areas outside Saigon and more will arise as the layoffs continue.

2. Announcement of a wage increase for US sector employees is bound to put greater pressure on the Vietnamese Government to raise salaries for its employees. In recent weeks, army officers in particular have become increasingly vocal in their complaints about the rising cost of living. Some Ministry of Labor representatives expressed to US officials their opinion that the government may have to grant a pay increase similar to the 1,000 piaster per month raise given in July 1969. They also said, however, that there were at least two factors that may hold down pressure for a government pay increase.

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Most civil servants, at least, have far more job security than US sector employees. In addition, the Vietnamese Confederation of Labor (CVT), the largest trade union organization in the country, reportedly is opposed to any significant wage increase in either the private or public sector. CVT officials have said they much prefer that workers get greater fringe benefits rather than higher wages which they believe would only contribute to the wage-price spiral.

3. Nevertheless, government employees probably have a legitimate basis for asking for some kind of pay increase. All government and US sector employees as well as many in the private sector have suffered substantial reductions in real income during the past five years. In 1968, the last year for which comparable wage data are available for all sectors, the real incomes of government employees, especially the military, still were generally higher than incomes of persons with similar backgrounds and levels of responsibility in either the US or private sector. In lower-paying jobs government employees clearly were better off than their counterparts, but as one reached upper middle management levels private sector employees pulled ahead. Since 1968, however, the real incomes of the military and civil service probably have deteriorated faster than the real incomes of either the US or private sectors. Between January 1968 and April 1970 the monthly average retail price index for Saigon increased about 80 percent. Since January 1968 US sector employees have received an average wage increase of about 50 percent, and it is probable that workers in the private sector received equal, if not larger, increases. Although it is extremely difficult to measure government employees' incomes because of changes in job classification, special allowances, and in-kind benefits, it is doubtful that these changes combined with the July 1969 pay increase of 1,000 piasters per month resulted in over-all pay increases approximating those received by US and private sector employees. Moreover, because the July 1969 piaster increase was the same for all government workers, it did little or nothing to raise the incomes of

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upper-level officials. Thus, the real incomes of government employees at all but the very lowest salary levels probably have now fallen below those of their counterparts working for US and private employers.

#### Rice Deliveries

4. Preliminary reporting on rice deliveries from the delta to Saigon during March indicates that shipments not only are still below expectations but also have fallen behind the pace of 1969. During the first quarter of 1970 deliveries totaled 103,300 metric tons compared with 107,700 tons during the same period of 1969 despite the fact that this year's crop is estimated to be 15 to 20 percent larger. March deliveries were only slightly higher than those during February--a short month interrupted by the Tet holidays. US and Vietnamese officials still believe that farmers are holding rice off the market either because they expect prices to rise or because they fear a devaluation. In an effort to draw more rice out of the delta, the government on 20 March lifted all wholesale and retail price ceilings on domestic rice. Officials hope to create quickly a substantial stock of imported rice which could be used, as in the past, to keep domestic rice prices within bounds.

#### VC to Engage in Forestry Operations

5. In its search for ways to increase revenues, COSVN--the enemy headquarters in South Vietnam--apparently has decided to undertake forestry operations. According to a notice sent on 18 January 1970 to Military Regions 6, 7, and 10; Sub-Regions 1, 4, and 5; and Tay Ninh Province, the recipient finance-economy sections were to prepare assessments of their capability to exploit the forests of their respective areas and to organize and indoctrinate workers. Although the Viet Cong (VC) previously have taxed the cutting and movement of forest products, this notice implies that they now intend to participate in the sale of these products. The areas to which the notice was sent possess considerable forests and are poor in rice,

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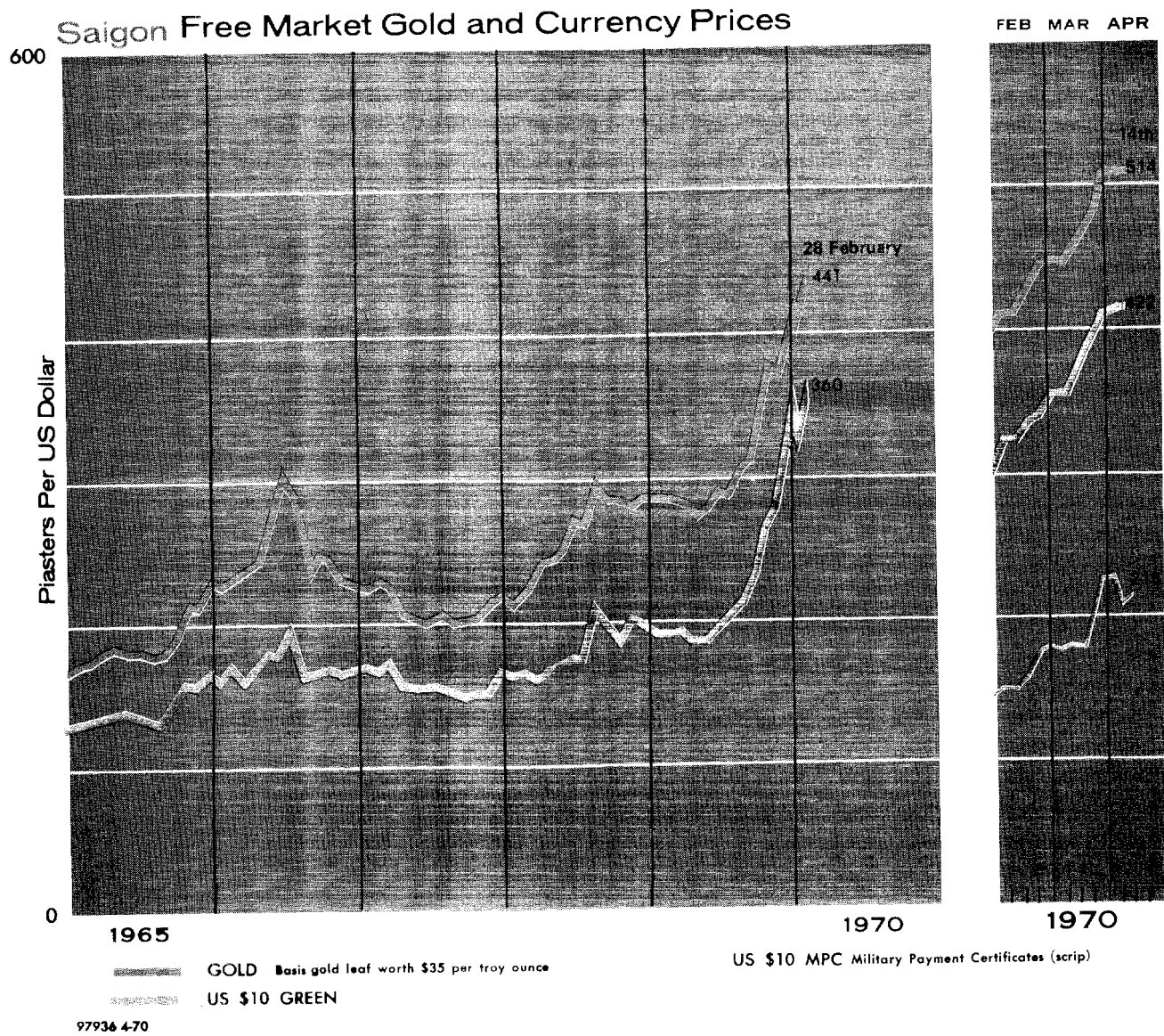
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the principal source of VC taxes in other areas. Moreover, tax revenues from rubber plantations in these areas have declined. The VC forest tax has always been a minor source of VC revenues. Despite the greater attention given to this sector, it is unlikely to produce significantly larger revenues mainly because the VC lack sufficient manpower to exploit it.

#### Currency and Gold

6. During the two weeks ending 14 April black market dollar and gold prices continued to move upward, although more slowly, to new highs. The price of dollars rose from 418 to 422 piasters per dollar, compared with the official exchange rate of 118 piasters per dollar. The price of a dollar's worth of gold leaf increased from 512 to 514 piasters. The rate for MPC (scrip) fluctuated during the period closing at 218 piasters per dollar, down 15 piasters from the all time high reached on 31 March. Black market dealers still are anticipating a change in the official exchange rate and reportedly are holding onto dollars and gold. (A graph on monthly and weekly currency and gold prices is included in the Annex.)

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